



**BRITISH AMERICAN
TOBACCO**
MALAYSIA

ANALYST BRIEFING QUARTER 3, 2014

October 2014

AGENDA



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- **Industry Review, Market Share and Volumes**
- **BATM Review**
- **Q3 2014 Results**



Q3 2014 Headlines

- **Strong financial delivery vs. SPLY:**
 - Q3 Profit from Operations: +8.4%
 - Q3 YTD Profit from Operations: +11.5%
- **Sharp decline in illegal cigarettes incidence (W1'14) due to ongoing intensive enforcement efforts**
- **Legal Industry volume continues recovery vs. Q4 2013**
- **BAT volume in September affected by price disparity**
- **Market share performance (as of August):**
 - YTD vs. 2013: BAT share resilient despite downtrading
 - Dunhill recovery in recent months after launch of DH Taste variant
 - Peter Stuyvesant continues to grow and reaches new record



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Industry Review, Market Share and Volumes

Ops Outlet: National intensive enforcement on illegal cigarettes

Recent statistics from the Operasi Outlet campaign (2 January to 7 Oct):

Source : NST, 9th Oct 2014

- No. of outlets raided = **4,679**
- No. of retailers arrested = **1,127**
- No. of retailers charged in court = **800**
- Total illegal cigarettes seized = **229 million sticks**

Customs cracking down on illegal cigarette sales

By MOHD FARHAAN SHAH
farhaan@thestar.com.my

JOHOR BARU: A worker at a sundry shop tried to hide illegal cigarettes under a chicken coop during a night raid by Customs officers but to no avail.

The raiding party found the items after a quick search of the shop in Jalan Anggerik 2/3, Taman Anggerik, as part of the ongoing Ops Outlet crackdown on retailers selling contraband cigarettes.

Foreign workers employed at factories in the vicinity frequented this sundry shop and they were believed to be consumers of illegal cigarettes.

A number of them were at the shop during the raid on Tuesday night, but appeared to be unperturbed by the presence of Customs officers.

found illegal cigarettes in a large plastic bag kept under the cash till of a sundry shop in Jalan Bukit Kempas 4, Taman Bukit Kempas.

A shop worker then led the officers to a storage area where they found more illegal cigarettes.

More than 20 cartons of illegal cigarettes, which included brands such as John, Canyon, U2, Gudang Galam and Surya, were seized from these two outlets.

In Kelantan, Customs officers raided two teleco services shops in Pasir Mas and found illegal cigarettes.

The outlet operators were arrested and are expected to be charged in court soon.

Almost 1,000 retailers nationwide have been detained for selling illegal cigarettes, and about half of those arrested taken to court, since the Customs Department intensified its



Seized contraband: Customs officers sorting illegal cigarettes seized from

Lelaki didenda RM1.3j simpan rokok seludup

» Turut dipenjarakan 12 bulan selepas mengaku salah terhadap dua pertuduhan

Beladua Selat di sini, pada jam 6:45 petang, 27 Januari lalu.

Rokok pebagai jenama

Barangan terbelat termasuk 109 karton rokok putih Premium, 156 karton rokok putih Halfime, 56 karton rokok putih Canyon (Hijau), 140 karton rokok putih Pine Apple, 45 kanton rokok putih Pine



| FAKTA NOMBOR | |
|---|-------|
| RM109,742 | nilai |
| takhsiran barang larangan yang disimpan bagi pertuduhan pertama | |
| RM20,000 | nilai |
| takhsiran rokok yang dirampas bagi pertuduhan kedua | |

dan 1,500 kanton rokok putih John White (merah) yang ditaksir

Operasi Outlet terus gempur

■ 111 peruncit ditahan di Johor, 89 didakwa ■ 50 peniaga diberkas di Kelantan, 21 didakwa
Dieh Izahy Nurul Ain Hussein



MOH launched OPS Puntung - to combat the possession and sales of illegal cigarettes

The Sun , 10Sept 2014

3 Government Agencies cooperated together for the first time to take actions on errant consumers and retailers

Regular ops to stub out illegal ciggies

‘Move timely as sales have become widespread’

By HANIS ZAINAL
haniszainal@thestar.com.my

KUALA LUMPUR: Ops Puntung, a joint operation to combat the possession and sale of illegal cigarettes, will be made a regular activity by the authorities, says the Health Ministry.

Deputy director-general of health (public health) Datuk Dr Lokman Hakim Sulaiman said the move was timely as the sale of illegal cigarettes has become widespread in the country and it should be stopped.

“Apart from committing the offence of not paying taxes (on the cigarettes), the widespread use of contraband cigarettes also undermines the Government’s efforts to discourage smoking by making cigarettes more expensive,” he said yesterday after taking part in the inaugural Ops Puntung operation at Pudu Sentral here yesterday.

The joint operation was carried

out by enforcement officers from the Health Ministry, the Customs Department, the Domestic Trade and Consumer Affairs Ministry and the police.

Dr Lokman said 46 compound notices totalling RM12,250 in fines were issued during yesterday’s operation.

Forty-three notices were issued to people who were caught smoking in designated smoke-free areas, while three notices were issued to traders and customers for selling or buying contraband cigarettes.

Customs deputy director (prevention and seizures) Abdul Wahabi Abdullah, who was also present, said that 6,192 sticks of contraband cigarettes, worth RM538.76, were seized during the operation.

The amount of unpaid taxes came to RM3,112.04.

He added that Customs officers also detained five people for selling contraband cigarettes.

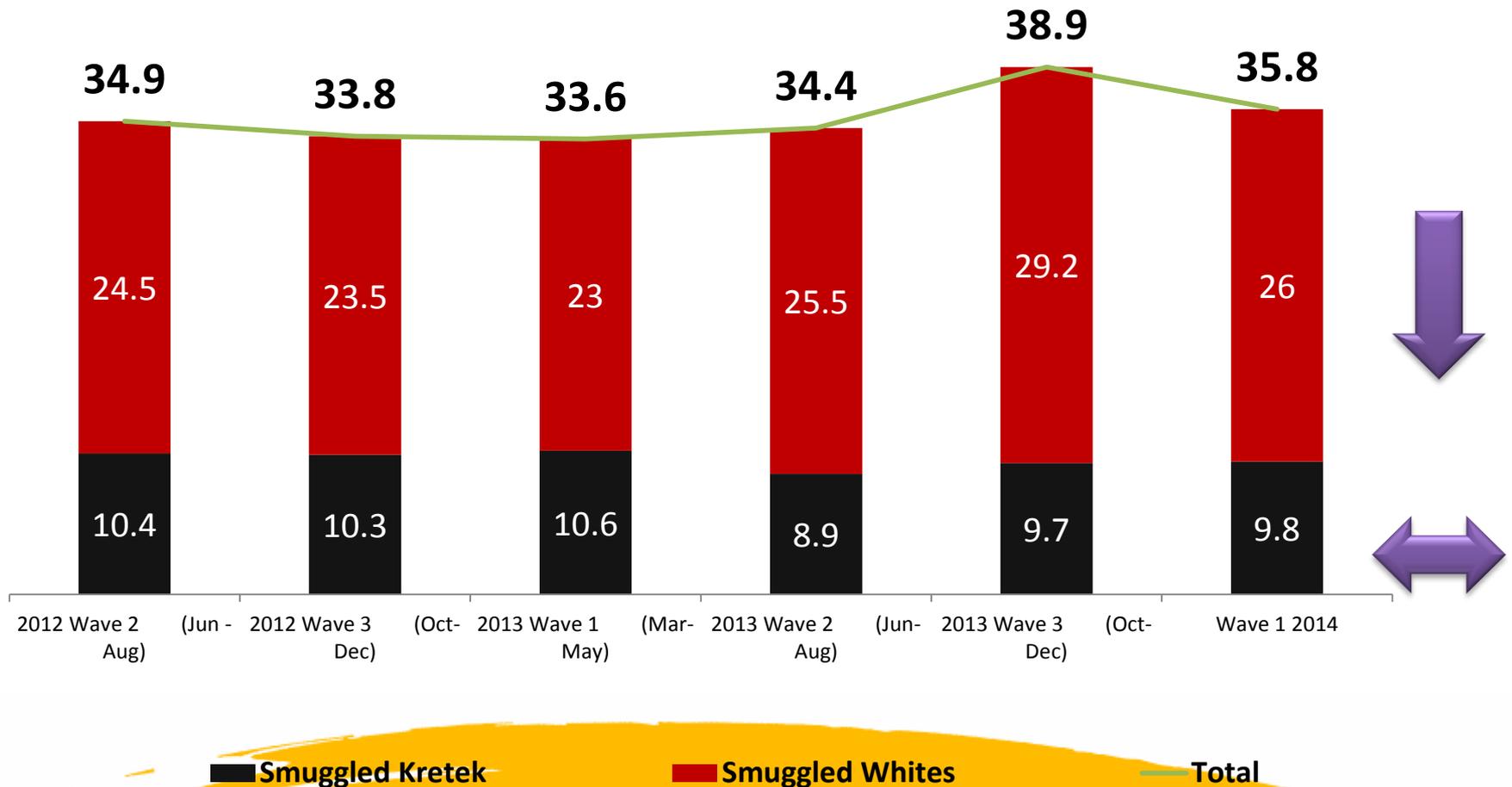


DR Lokman (tengah) bersama Abdul Wahabi (kanan) pada sidang media mengenai rampasan rokok tidak sah.

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Illegal cigarettes incidence down 3.1ppts due to robust enforcement

Source: Illicit Cigarette Study, 2010 - 2013

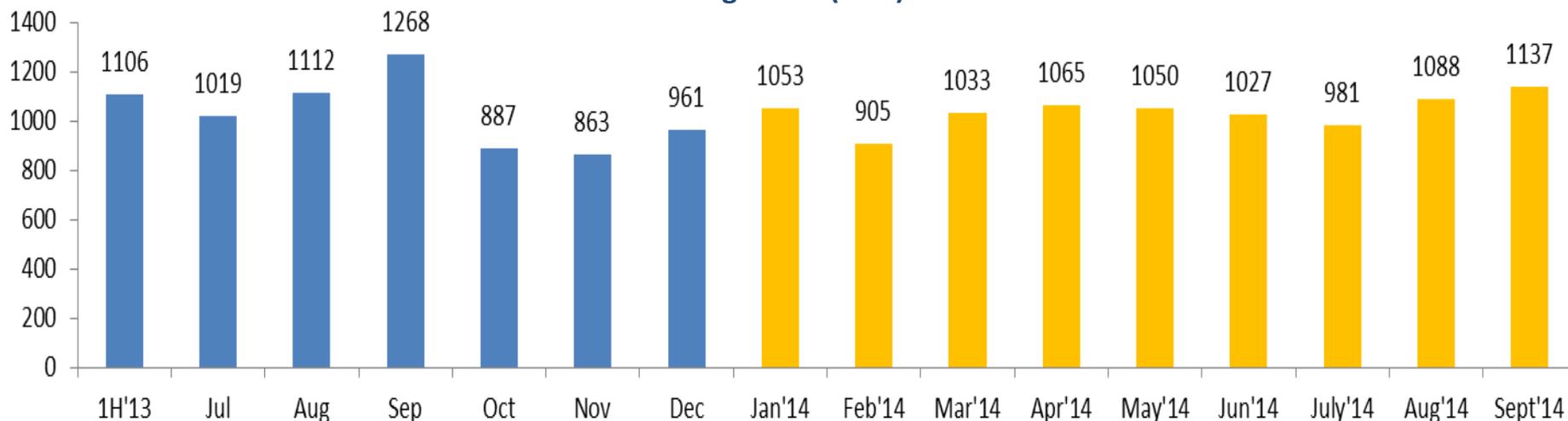




Market review update:

Legal market recovery => YTD basis, **-7.0%** vs. SPLY (from -7.6% in H1).

Big-3 IMS (mns)



Quarterly basis:

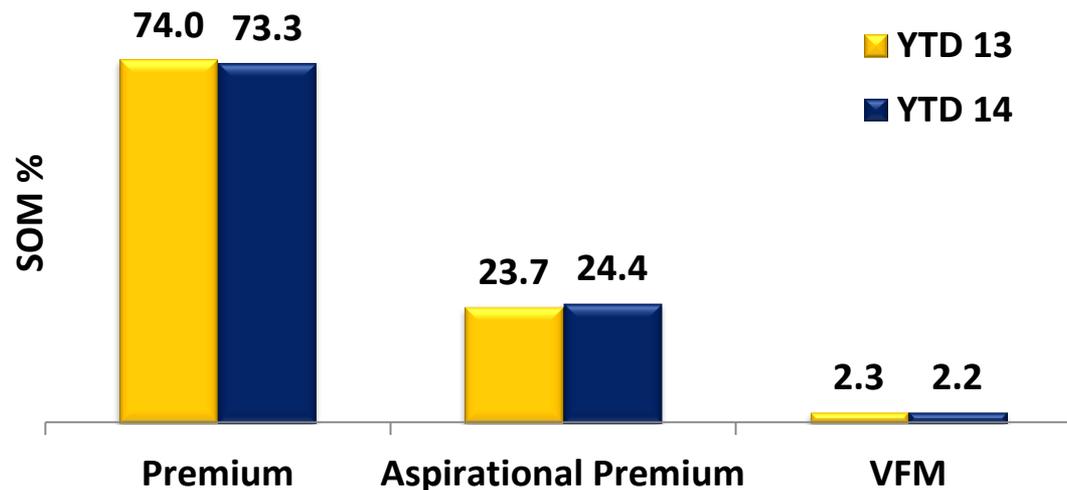
| Industry | Q3'14 | Q2'14 | Change |
|--------------|---------|---------|--------------|
| Total | 3,205.0 | 3,141.3 | +2.0% |

YTD Sept'14 vs. SPLY:

| Industry | YTD 2014 Average | SPLY Average | Change |
|--------------|------------------|--------------|--------------|
| Total | 1,038 | 1,115 | -7.0% |
| BAT | 649 | 701 | -7.4% |



Aspirational Premium continues to grow at the expense of Premium



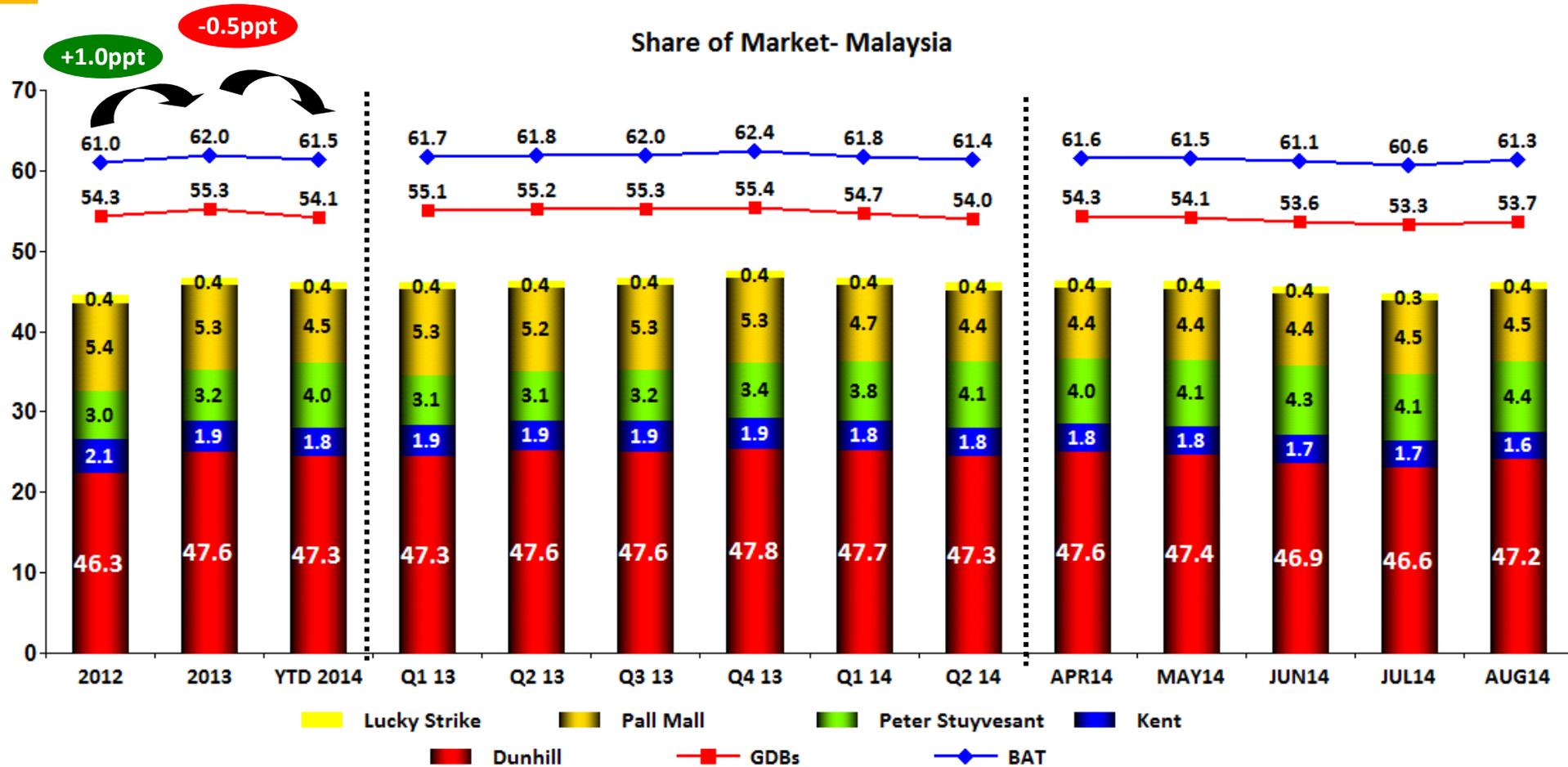
| YTD Aug 14 vs. SPLY | |
|--------------------------------------|---------------|
| <u>Share of Premium</u> | <u>YTD 14</u> |
| BAT | 72.1 (-0.2) |
| <u>Share of Aspirational Premium</u> | |
| BAT | 35.0 (+0.1) |

BAT continues to show clear leadership in the Premium segment



BAT SOM resilient despite downtrading

Source: YTD Aug 14 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)





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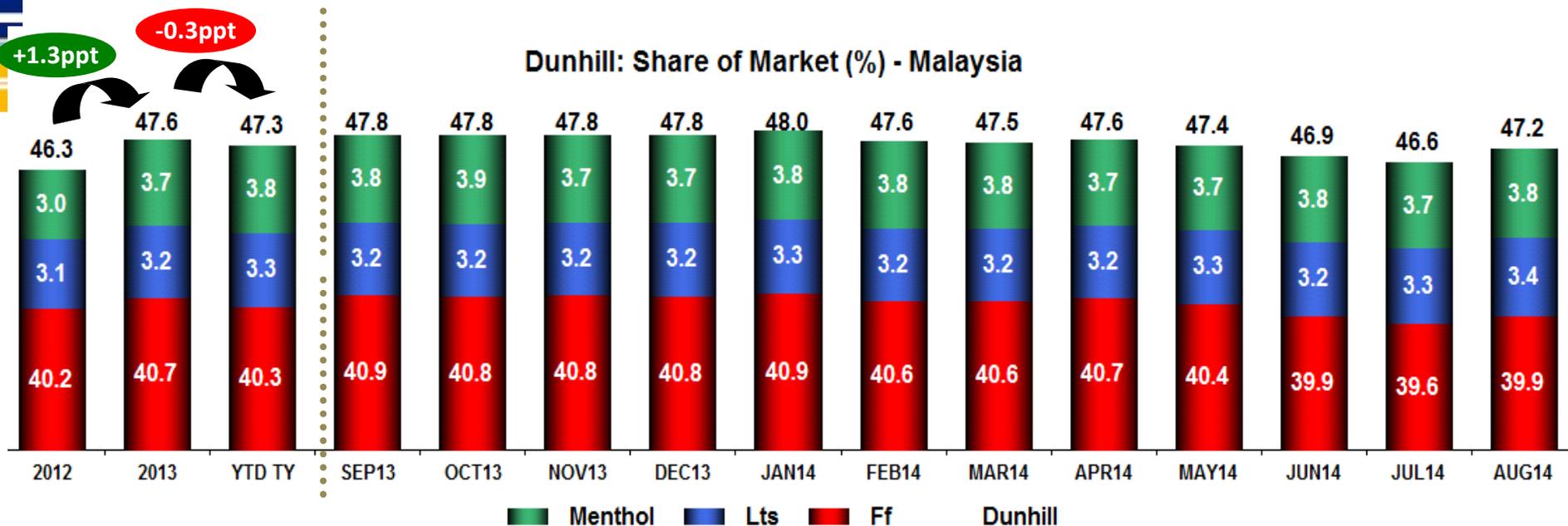
BATM Review

Dunhill: market share recovery in recent months after launch of DH Taste variant



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Source: YTD Aug 14 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



Dec 2013 (Zeus)
Dunhill FF & Lts - Limited Edition Pack
(Nationwide launch)

Apr 2014 (Britannia)
Dunhill FF & Lts - Limited Edition Pack
(Nationwide launch)

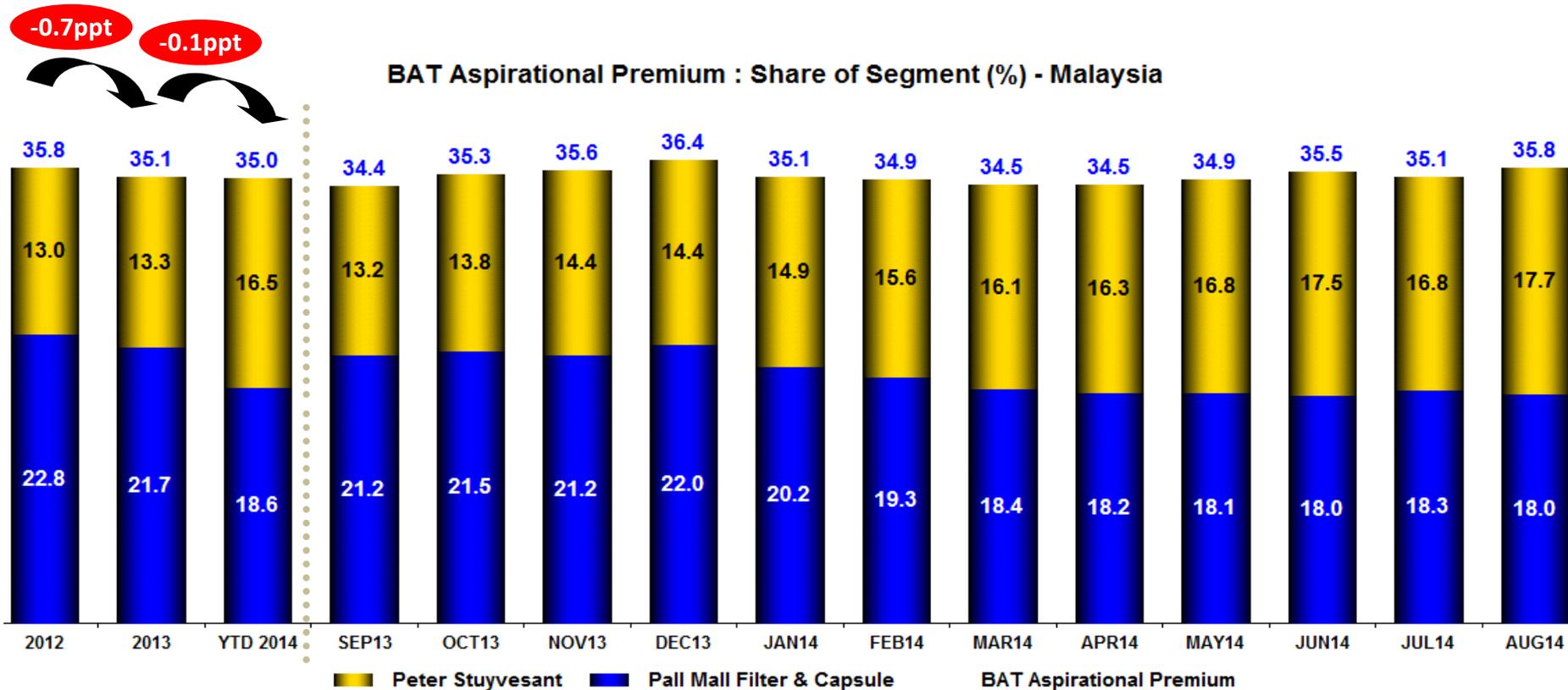
July 2014
Dunhill Taste Lights – Charcoal tube filter
Dunhill Taste Menthol – High menthol tube filter
(Nationwide launch)



BAT Aspirational Premium stabilizing

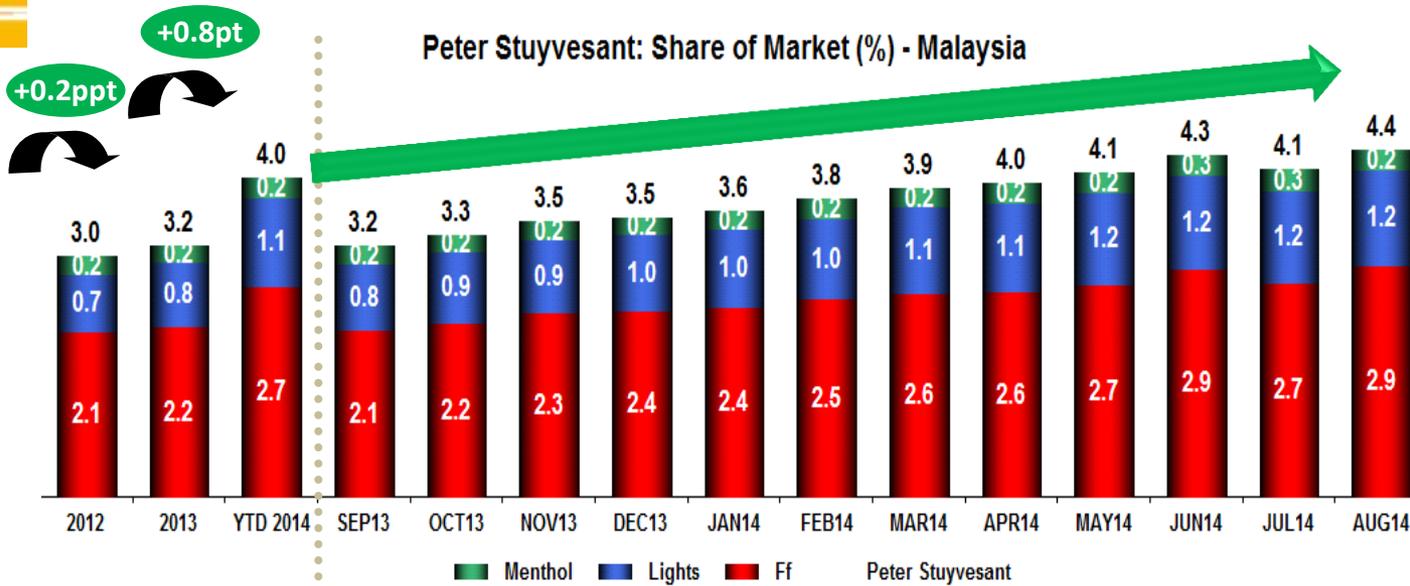
Peter Stuyvesant strong performance offsetting Pall Mall loss

Source: YTD Aug 14 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



Peter Stuyvesant continues growing since Jul'13, reaching 4.4 SOM in Aug.

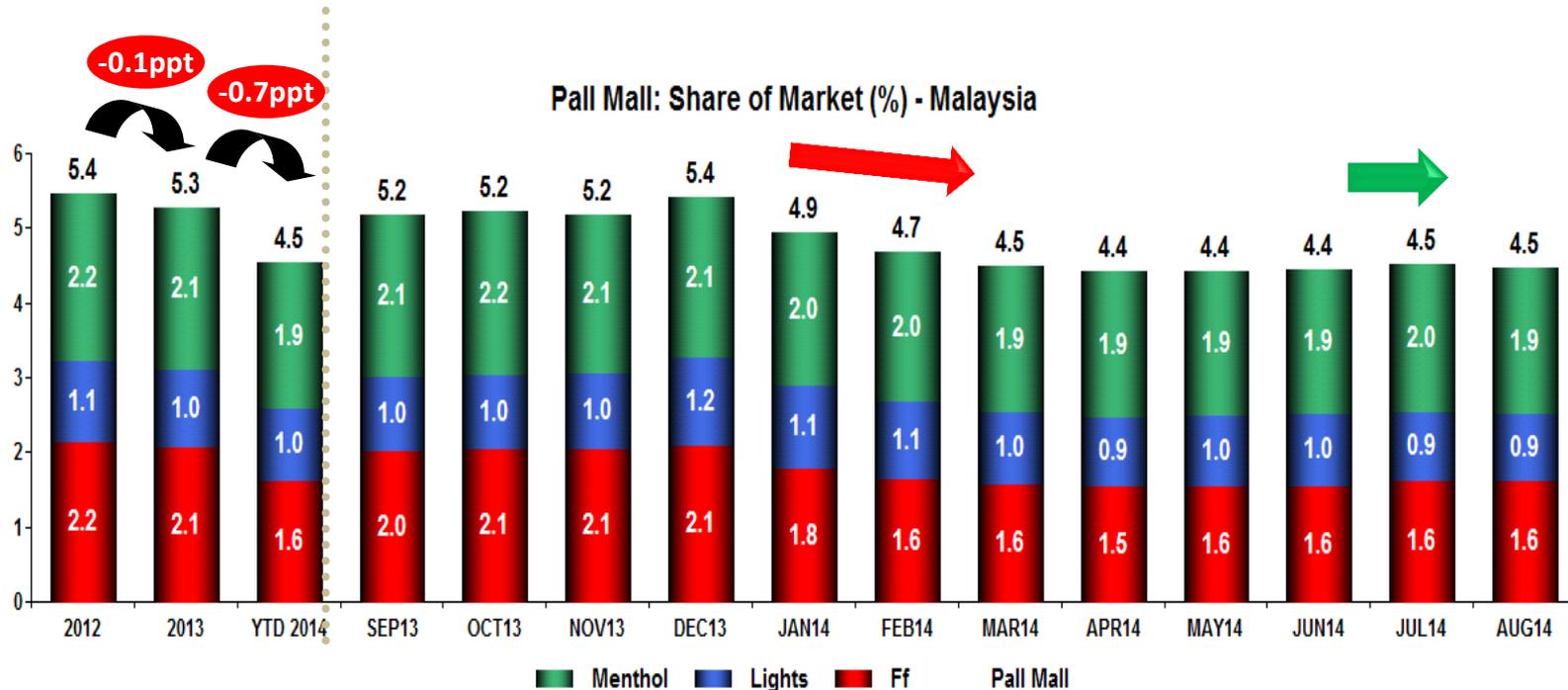
Source: YTD Aug 14 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)





Pall Mall: achieving stable market share performance after Q1 decline

Source: YTD Aug 14 Malaysia Retail Audit (Base: Total Legal Market – White + Kretek)



Dec 2013:
Pall Mall FF & Lts Product Upgrade:
New Blend Plus Capsule

June 2014:
Pall Mall Shield
Introduction of "Reloc"



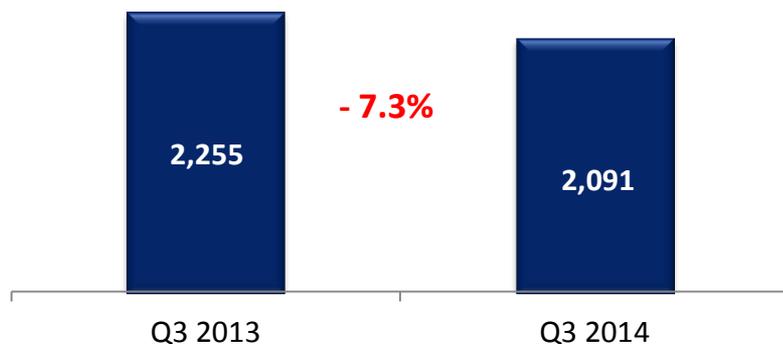
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Q3 2014 RESULTS FINANCIAL HIGHLIGHTS

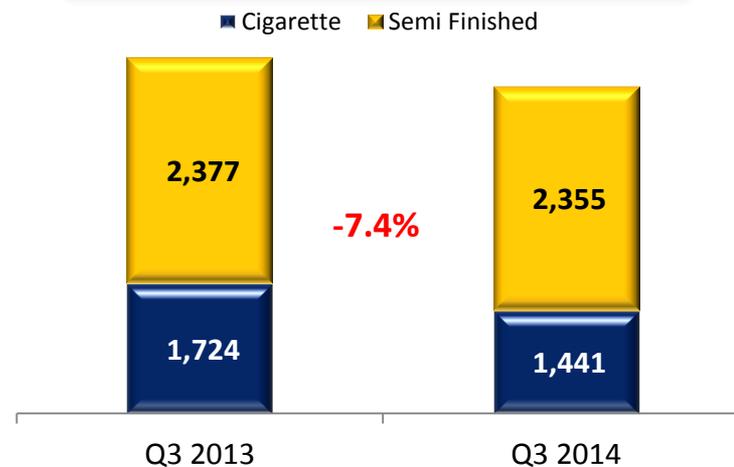


Q3 Discrete: Volume and Revenue

Domestic & DF Volumes (mn stick)



Contract Manufacturing Vol. (mn stick)



Revenue (RM mn)



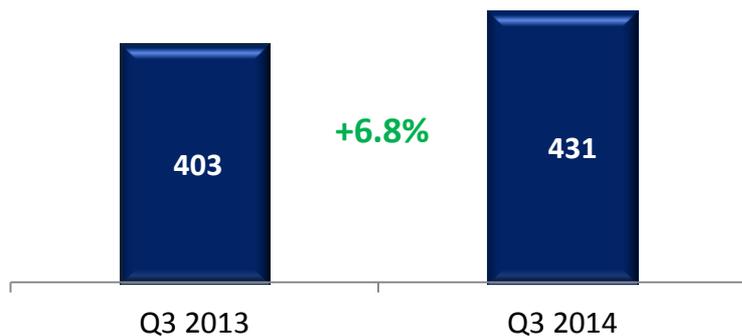
Net Turnover (RM mn)



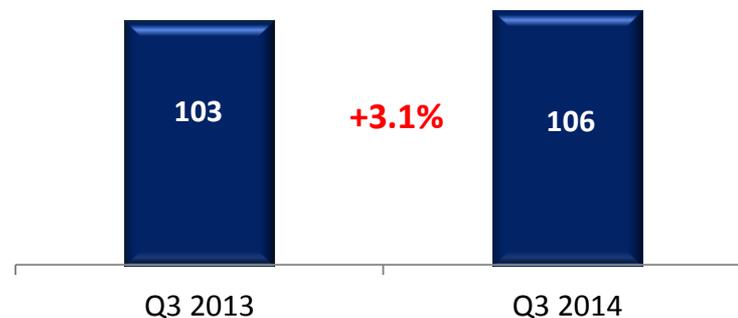


Q3 Discrete: Key Metrics

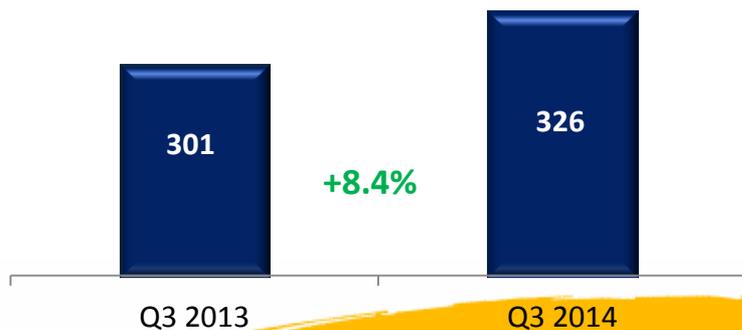
Gross Profit (RM mn)



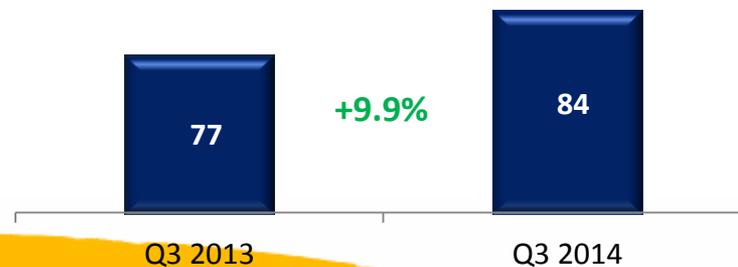
Operating Expenses (RM mn)



Profit from Operation (RM mn)



Earnings per Share (Sen/share)



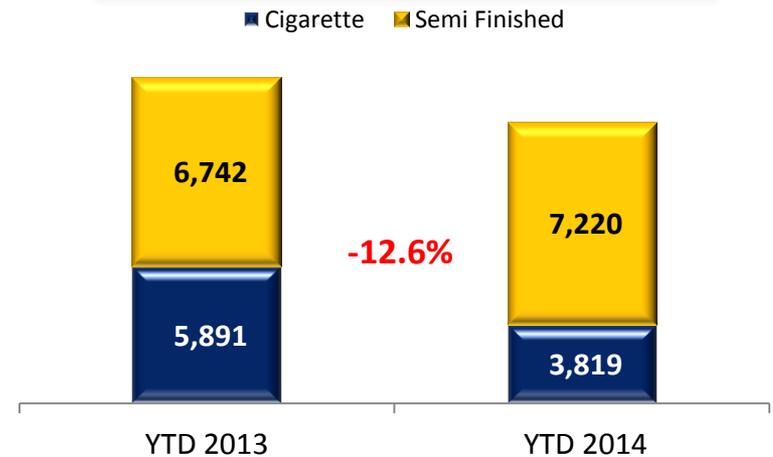


Q3 YTD: Volume and Revenue

Domestic & DF Volumes (mn stick)



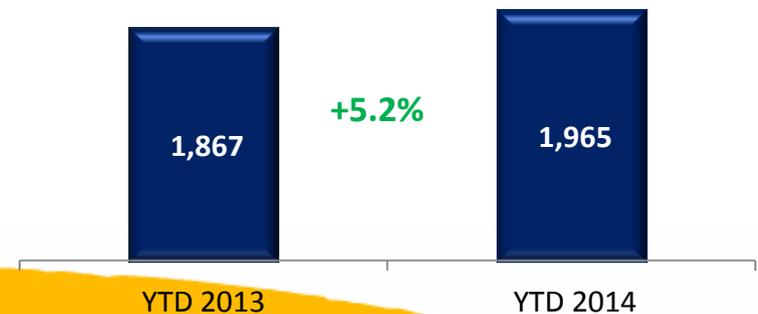
Contract Manufacturing Vol. (mn stick)



Revenue (RM'mn)



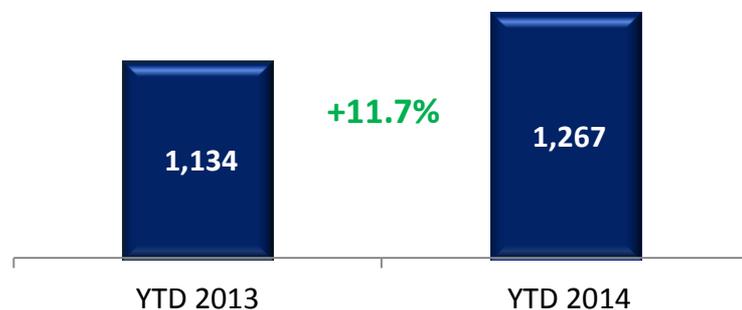
Net Turnover (RM'mn)





Q3 YTD: Key Metrics

Gross Profit (RM mn)



Operating Expenses (RM mn)



Profit from Operation (RM mn)



Earnings per Share (Sen/share)





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Dividend Payout

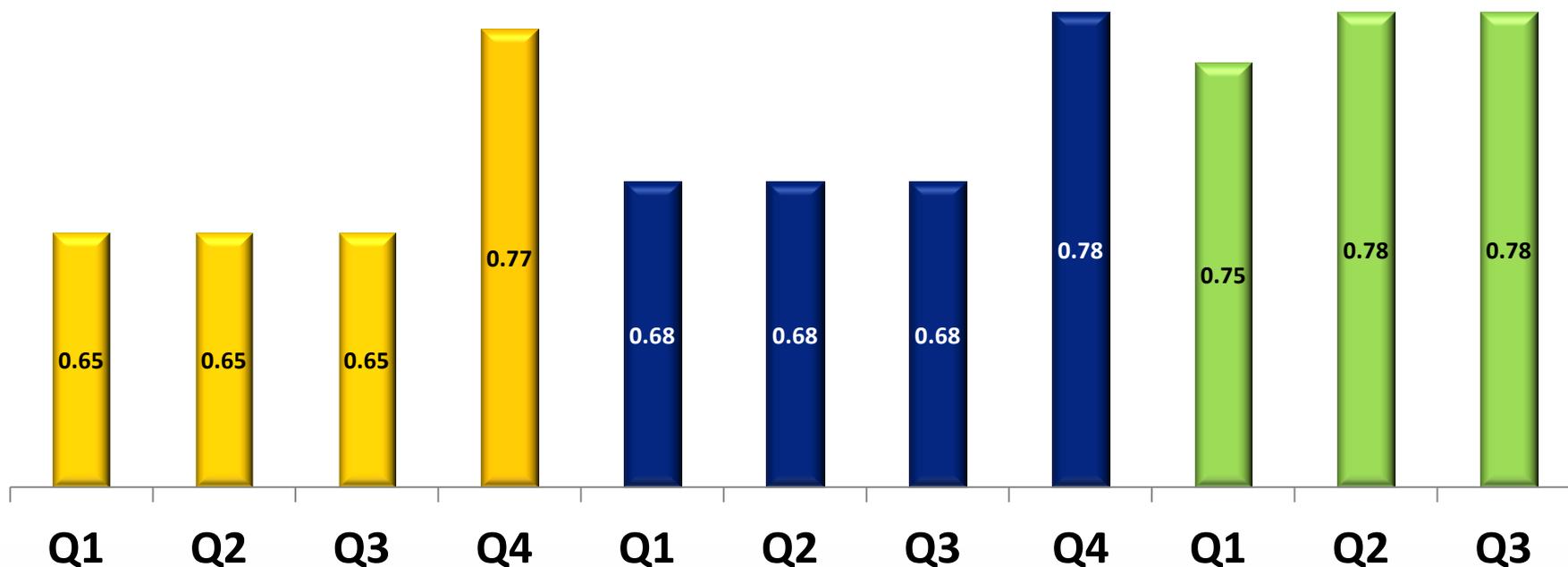
2012

RM 2.72
97.4% Payout

2013

RM 2.82
97.8% Payout

2014 YTD





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THANK YOU